

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Unit Name Barry County Road Commission	County Barry
Fiscal Year End 12-31-06	Opinion Date 2-16-07	Date Audit Report Submitted to State 3-23-07	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

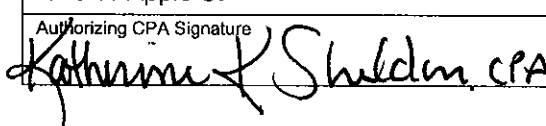
YES  
NO

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input type="checkbox"/>	Not required	
Other (Describe)	<input type="checkbox"/>	Not required	
Certified Public Accountant (Firm Name) Walker, Fluke & Sheldon, PLC		Telephone Number 269-945-9452	
Street Address 525 W Apple St		City Hastings	State MI
Zip 49333			
Authorizing CPA Signature 		Printed Name Katherine Sheldon, CPA	License Number 1101023575

**BARRY COUNTY ROAD COMMISSION**  
**FINANCIAL STATEMENTS**  
For the year ended December 31, 2006

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**WALKER, FLUKE & SHELDON, PLC**  
**CERTIFIED PUBLIC ACCOUNTANTS**

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**INDEPENDENT AUDITORS' REPORT**

To the Board of County Road Commissioners  
Barry County Road Commission  
Hastings, Michigan

We have audited the accompanying financial statements of Barry County Road Commission, a component unit of Barry County, as of and for the year ended December 31, 2006, which collectively comprise the Road Commission's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Barry County Road Commission's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and each major fund of the Barry County Road Commission as of December 31, 2006, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 16, 2007, on our consideration Barry County Road Commission's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis and required supplementary information are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurements and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Barry County Road Commission's basic financial statements. The additional supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements of the Barry County Road Commission. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.

Hastings, Michigan  
February 16, 2007

*Walker, Fluke & Sheldon, PLC*

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

The Barry County Road Commission's discussion and analysis is designed to (a) assist the reader in focusing on significant financial issues, (b) provide an overview of the Road Commission's financial activity, (c) identify changes in the Road Commission's financial position (its ability to address the next and subsequent year challenges), (d) identify any material deviations from the approved budget and (e) identify any issues or concerns.

### **Reporting the Road Commission as a Whole**

#### **Government-Wide Statements**

The statement of net assets and the statement of activities report information about the Road Commission as a whole and about its activities in a way that helps answer the question of whether the Road Commission is better or worse off as a result of the year's activities. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting method used by most private-sector companies. All of the year's revenues and expenses are taken into account regardless of when cash is received or paid.

The two statements mentioned above, report the Road Commission's net assets and changes in them. The reader can think of the Road Commission's net assets (the difference between assets and liabilities) as one way to measure the Road Commission's financial health or financial position. Over time, increases or decreases in the Road Commission's net assets are one indicator of whether its financial health is improving or deteriorating.

#### **Fund Financial Statements**

Our analysis of the Road Commission's major funds begins on page 7. The fund financial statements begin on page 9 and provide detailed information about the major funds. The Road Commission currently has only one fund, the general operations fund, in which all of the Road Commission's activities are accounted. The general operations fund is a governmental fund type.

Governmental funds focus on how money flows into and out of the fund and the balances left at year-end that are available for spending. This fund is reported using the modified accrual method of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the Road Commission's general governmental operations and the basic service it provides. Governmental fund information helps the reader to determine whether there are more or fewer financial resources that can be spent in the near future to finance the Road Commission's services. We describe the relationship (or differences) between governmental activities (reported in the statement of net assets and the statement of activities) and the governmental fund in a reconciliation following the fund financial statements.

### **Financial Analysis of the Road Commission as a Whole**

The Road Commission's net assets increased approximately 4% from \$26,752,143 to \$27,737,149 and approximately 7% from \$25,071,908 to \$26,752,143 for the years ended December 31, 2006 and 2005, respectively. The net assets and change in net assets are summarized below and on the following page.

Net assets for the years ended December 31, 2006 and 2005 are as follows:

	<b><u>2006</u></b>	<b><u>2005</u></b>
Current and Other Assets	\$ 4,033,435	\$ 3,536,287
Capital Assets(Net of Accumulated Depreciation)	<u>24,087,973</u>	<u>23,663,924</u>
Total Assets	<u>28,121,408</u>	<u>27,200,211</u>
Other Liabilities	<u>384,259</u>	<u>448,068</u>
Net Assets		
Invested in Capital Assets(Net of Related Debt)	24,087,973	23,663,924
Restricted	<u>3,649,176</u>	<u>3,088,219</u>
Total Net Assets	<u>\$ 27,737,149</u>	<u>\$ 26,752,143</u>

## **MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**

### **Financial Analysis of the Road Commission as a Whole (Continued)**

A summary of changes in the net assets for the years ended December 31, 2006 and 2005 are as follows:

	<b><u>2006</u></b>	<b><u>2005</u></b>
Program Revenues		
License and Permits	\$ 21,330	\$ 28,547
Federal Aid	15,609	1,245,859
State Aid	4,772,027	4,926,708
Contributions from Local Units	1,382,102	1,686,050
Investment Earnings	80,218	50,075
Charges for Services	6,223	7,201
Total Program Revenues	<u>6,277,509</u>	<u>7,944,440</u>
General Revenue		
Gain (Loss) on Equipment Disposals	(149)	34,368
Property Rentals	7,105	7,105
Contributions	923,224	167,082
Other	42,405	5,673
Transfer-In Primary Government	16,000	16,000
Total General Revenues	<u>988,585</u>	<u>230,228</u>
Total Revenue	<u>7,266,094</u>	<u>8,174,668</u>
Program Expenses		
Primary Road Maintenance	1,421,448	2,112,818
Local Road Maintenance	3,146,551	3,079,832
Net Equipment Expense	157,231	(309,486)
Net Administrative Expense	467,705	459,102
Compensated Absences	(448)	11,758
Infrastructure Depreciation	1,088,601	1,140,409
Interest Expense	-	-
Total Program Expenses	<u>6,281,088</u>	<u>6,494,433</u>
Change in Net Assets	<u>\$ 985,006</u>	<u>\$ 1,680,235</u>

Restricted net assets, which are those, restricted mainly for Act 51 purposes, increased \$560,957 and decreased \$41,978 for the years ended December 31, 2006 and 2005, respectively. The current year asset increase was due to a large increase in cash of \$839,765. The Road Commission can attribute most of the increase to savings on equipment expenses and overtime wages. The Road Commission usually works a fifty-hour week through the summer, but due to a decrease in Township projects, found it unnecessary. Due from other units of government decreased by \$232,049 and inventories decreased by \$95,126, along with other minor changes. Current liabilities decreased \$37,085 during the year ended December 31, 2006. The non-current liability account vested employee benefits decreased \$447, while the non-current liability account lease payable decreased by \$26,276, along with other minor changes.

#### **The Road Commission's Fund**

The Road Commission's general operations fund is used to control the expenditures of Michigan Transportation Fund monies distributed to the county, which are earmarked by law for road and highway purposes

For the year ended December 31, 2006, the fund balance of the general operations fund increased \$710,974 as compared to a decrease of \$36,164 for the year ended December 31, 2005.

## **MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**

### **Financial Analysis of the Road Commission as a Whole (Continued)**

Total revenues were \$7,457,149 and \$8,152,724 for the years ended December 31, 2006 and 2005, respectively. This difference was primarily due to a decrease of \$1,230,250 received in federal aid funds, and a decrease in township contributions of \$43,263. There was a decrease in the State funds of \$154,681 and an increase in private contributions of \$756,142, along with other minor changes.

Total expenditures were \$6,746,175 and \$8,204,888 for the years ended December 31, 2006 and 2005, respectively. This decrease in expenditures is primarily due to fewer federal aid jobs performed during 2006 and a decrease in township projects. This resulted in a decrease in structural and routine maintenance.

### **Budgetary Highlights**

Prior to the beginning of any year, the Road Commission's budget is compiled based upon certain assumptions and facts available at that time. During the year, the Road Commission Board acts to amend its budget to reflect changes in these original assumptions, facts and/or economic conditions that were unknown at the time the original budget was compiled. In addition, by policy, the board reviews and authorizes large expenditures when requested throughout the year.

The final amended revenue budgets were higher than the actual receipts by \$27,868 and \$924,848 for the years ended December 31, 2006 and 2005, respectively. In 2006, licenses and permits were lower than budget by \$6,670 and state aid payments by \$27,973. There were other minor variances that also contributed to this.

The final amended expenditure budgets were higher than actual expenses by \$151,514 and \$1,020,543 for the years ended December 31, 2006 and 2005, respectively. The largest share of the variance is due to the fact that equipment rentals were less than anticipated, along with some minor variances in other expenses.

### **Capital Asset and Debt Administration**

This year's major capital asset additions included the following:

	<b><u>2006</u></b>	<b><u>2005</u></b>
Intersection Improvements/Construction	\$ 756,888	\$ 423,462
Resurfacing Projects	947,114	2,393,458
Bridge Projects	18,975	-
Transportation and Other Equipment	<u>267,925</u>	<u>515,998</u>
Total Additions	<u>1,990,902</u>	<u>3,332,918</u>

## **MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**

### **Capital Asset and Debt Administration (Continued)**

#### **Capital Assets**

As of December 31, 2006 and 2005, the Road Commissions investment in capital assets is as follows:

	<b><u>2006</u></b>	<b><u>2005</u></b>
Capital Assets Not Being Depreciated		
Land	\$ 85,433	\$ 85,433
Land Improvements	13,658,284	12,901,396
Right-of-Ways	<u>65,204</u>	<u>65,204</u>
Subtotal	<u>13,808,921</u>	<u>13,052,033</u>
Capital Assets Being Depreciated		
Land Improvements	214,808	214,808
Buildings	740,948	740,948
Road Equipment	7,008,477	6,776,099
Shop Equipment	117,825	117,825
Office Equipment	93,389	89,525
Engineering Equipment	127,911	103,596
Yard and Storage Equipment	103,147	103,147
Pit Depletion	557,997	554,440
Infrastructure	<u>15,344,020</u>	<u>15,204,449</u>
Subtotal	<u>24,308,522</u>	<u>23,904,837</u>
Total Capital Assets	38,117,443	36,956,870
Total Accumulated Depreciation	<u>14,029,470</u>	<u>13,292,946</u>
Total Net Capital Assets	<u>\$ 24,087,973</u>	<u>\$ 23,663,924</u>

#### **Debt**

The Road Commission currently has two lease purchase agreements, one with D&D Contracting in the amount of \$39,000, and another with Michigan CAT in the amount of \$12,724. The only other long-term debt the Road Commission has is compensated absences in the amount of \$259,369.

### **Economic Factors and Next Year's Budget**

The Board of County Road Commissioners considered many factors when setting the fiscal year 2007 budget. The Road Commission's primary source of revenue is derived from the State gas and weight taxes. The higher price of fuel was considered and the road commission expects MTF revenue to remain consistent with the current year. Township contributions are expected to decrease in 2007 according to the Road Commission's paved road recommendations discussed with the Townships in January 2007.

The Board emphasizes the reader should understand that there are not sufficient funds available to repair and/or rebuild every road in Barry County's transportation system; therefore, the board attempts to spend the public's money wisely, equitably and in the best interest of the motoring public and the citizens of Barry County.



## **MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**

### **Contacting the Road Commission's Financial Management**

This financial report is designed to provide the motoring public, citizens and other interested parties a general overview of the Road Commission's finances and to show the Road Commission's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the Barry County Road Commission administrative offices at 1725 West M-43 Highway, Hastings, MI 49058. (269) 945-3449

**BARRY COUNTY ROAD COMMISSION**  
**STATEMENT OF NET ASSETS**  
**December 31, 2006**

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**ASSETS**

Cash and Cash Equivalents	\$ 2,144,457
Accounts Receivable	
Michigan Transportation Fund	731,318
Other	209,000
Due From Other Units of Government	56,000
Inventories	
Road Materials	751,843
Equipment Materials and Parts	140,817
Capital Assets (Net of Accumulated Depreciation)	<u>24,087,973</u>
 Total Assets	 <u>28,121,408</u>

**LIABILITIES**

Current Liabilities	
Accounts Payable	9,606
Accrued Liabilities	55,260
Escrow Payable	8,300
Non-Current Liabilities	
Due Within One Year	51,724
Due In More Than One Year	<u>259,369</u>
 Total Liabilities	 <u>384,259</u>

**NET ASSETS**

Investment in Capital Fixed Assets	
Net of Related Debt	24,087,973
Restricted for County Roads	<u>3,649,176</u>
 Total Net Assets	 <u>\$ 27,737,149</u>

The Notes to Financial Statements are an integral part of this statement.

**BARRY COUNTY ROAD COMMISSION**  
**STATEMENT OF ACTIVITIES**  
**For the Year Ended December 31, 2006**

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Program Expenses	
Primary Road Maintenance	\$ 1,421,448
Local Road Maintenance	3,146,551
Net Equipment Expense	157,231
Net Administrative Expense	467,705
Compensated Absences	(448)
Loss on Disposal of Assets	149
Infrastructure Depreciation	<u>1,088,600</u>
Total Program Expense	<u>6,281,236</u>
Program Revenues	
License and Permits	21,330
Federal Grants	15,609
State Grants	4,772,027
Contributions From Local Units	1,382,102
Investments Earnings	80,218
Charges for Services	<u>6,222</u>
Total Program Revenues	<u>6,277,508</u>
Net Program Revenue	<u>(3,728)</u>
General Revenue	
Property Rentals	7,105
Contributions	923,224
Other	42,405
Transfer-In Primary Government	<u>16,000</u>
Total General Revenues and Transfers-In	<u>988,734</u>
Change in Net Assets	985,006
Net Assets	
Beginning of Year	<u>26,752,143</u>
End of Year	<u>\$ 27,737,149</u>

The Notes to Financial Statements are an integral part of this statement.

**BARRY COUNTY ROAD COMMISSION  
BALANCE SHEET - GOVERNMENTAL FUNDS  
December 31, 2006**

	<u>Governmental Fund Type</u>
	<u>General Operating Fund</u>
<b><u>ASSETS</u></b>	
Cash and Cash Equivalents	\$ 2,144,457
Accounts Receivable	
Michigan Transportation Fund	731,318
Other	209,000
Due From Other Units of Government	56,000
Inventories	
Road Materials	751,843
Equipment Materials and Parts	<u>140,817</u>
Total Assets	<u>\$ 4,033,435</u>
<b><u>LIABILITIES AND FUND BALANCES</u></b>	
Liabilities	
Accounts Payable	\$ 9,606
Accrued Liabilities	55,260
Escrow Payable	8,300
Deferred Revenue	<u>265,000</u>
Total Liabilities	<u>338,166</u>
Fund Balances	
Unreserved-Undesignated	<u>3,695,269</u>
Total Fund Balances	3,695,269
<b>Reconciliation of the Balance Sheet-Governmental Funds Fund Balance to the Statement of Net Assets:</b>	
Amounts reported for governmental activities in the statement of net assets are different because:	
Deferred revenues reported in governmental funds are recognized as revenues in the governmental activities	265,000
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	24,087,973
Certain liabilities, such as compensated absences and installment purchases, are not due and payable in current period and therefore are not reported in the funds.	<u>(311,093)</u>
Net Assets of Governmental Activities	<u>\$ 27,737,149</u>

The Notes to Financial Statements are an integral part of this statement.

**BARRY COUNTY ROAD COMMISSION  
STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS  
For the Year Ended December 31, 2006**

	<u>General Operating Fund</u>
Revenues	
Licenses and Permits	\$ 21,330
Federal Grants	15,609
State Grants	4,772,027
Contributions From Local Units	1,558,843
Charges for Services	6,222
Other Revenues	<u>1,067,118</u>
Total Revenues	<u>7,441,149</u>
Expenditures	
Public Works	6,915,911
Capital Outlay-Net	(210,327)
Debt Service	<u>40,591</u>
Total Expenditures	<u>6,746,175</u>
Excess of Revenues Over (Under) Expenditures	<u>694,974</u>
Other Financing Sources	
Transfers-In Primary Government	<u>16,000</u>
Total Other Financing Sources	<u>16,000</u>
Excess of Revenues and Other Financing Sources Over Expenditures	710,974
Fund Balance-January 1, 2006	<u>2,984,295</u>
Fund Balance-December 31, 2006	<u>\$ 3,695,269</u>

The Notes to Financial Statements are an integral part of this statement.

**BARRY COUNTY ROAD COMMISSION**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND**  
**BALANCE - GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**  
**For the Year Ended December 31, 2006**

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Net Change in Fund Balance-Total Governmental Funds	\$	710,974
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Amounts reported for governmental activities in the statement of activities  
are different because:

Governmental funds report capital outlays as expenditures. However, in the Statement of  
Activities, the cost of those assets is depreciated over their estimated useful lives:

Expenditures for capital assets	\$ 1,990,902	
Less: Current year depreciation	1,566,704	
Less: Loss on disposal of assets	<u>149</u>	424,049

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.		(176,741)
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Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. [Increase (decrease) in compensated absences.]		448
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Lease proceeds are revenue in the governmental funds, but not in the statement of activities (where it increases debt)		(14,315)
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Repayment of notes/leases payable is an expenditure in governmental funds, but reduces the long-term liabilities in the Statement of Net Assets.		<u>40,591</u>
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Change in Net Assets of Governmental Funds	\$	<u>985,006</u>
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The Notes to Financial Statements are an integral part of this statement.

**BARRY COUNTY ROAD COMMISSION  
STATEMENT OF FIDUCIARY NET ASSETS -  
FIDUCIARY FUNDS  
December 31, 2006**

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<b><u>ASSETS</u></b>	<b><u>Pension Trust</u></b>	<b><u>Trust and Agency</u></b>
Investments	\$ 5,135,953	\$ -
Accounts Receivable		
Sundry	<u>83,407</u>	<u>-</u>
Total Assets	<u>\$ 5,219,360</u>	<u>\$ -</u>
 <b><u>LIABILITIES</u></b>		
Current Liabilities		
Due to Employees for Deferred Compensation	<u>\$ -</u>	<u>\$ -</u>
Total Liabilities	<u>-</u>	<u>\$ -</u>
 <b><u>NET ASSETS</u></b>		
Held in Trust for Pension Benefits	<u>\$ 5,219,360</u>	

The Notes to Financial Statements are an integral part of this statement.

**BARRY COUNTY ROAD COMMISSION**  
**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS -**  
**FIDUCIARY FUNDS**  
**For the Year Ended December 31, 2006**

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<b><u>ADDITIONS</u></b>	<b><u>Pension Trust</u></b>
Investment Income From Investing Activities	
Net Appreciation (Depreciation) in Fair Value of Investments	\$ 192,660
Gain on Sale of Investments	3,193
Interest and Dividends	382,305
Interest on Participant Loans	<u>4,012</u>
Total Investment Income	582,170
Investment Management Fees	<u>8,229</u>
Net Income From Investing Activities	<u>573,941</u>
Contributions	
Employer	160,186
Employee	<u>164,016</u>
Total Contributions	<u>324,202</u>
Total Additions	<u>898,143</u>
 <b><u>DEDUCTIONS</u></b>	
Benefit Payments	<u>569,108</u>
Total Deductions	<u>569,108</u>
Net Additions (Deductions) to Net Assets Held in Trust	329,035
Net Assets Held in Trust for Benefits	
Beginning of Year	<u>4,890,325</u>
End of Year	<u>\$ 5,219,360</u>

The Notes to Financial Statements are an integral part of this statement.



**BARRY COUNTY ROAD COMMISSION  
NOTES TO FINANCIAL STATEMENTS  
For the Year Ended December 31, 2006**

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**REPORTING ENTITY**

The Barry County Road Commission, which is established pursuant to the County Road Law (MCL 224.1), is governed by a three member Board of County Road Commissioners appointed by the County Commissioners of Barry County, Michigan. The Road Commission may not issue debt without the County's approval and property tax levies are subject to the County Board of Commissioners' approval.

The criteria established by the Governmental Accounting Standards Board (GASB) Statement No. 14, "The Financial Reporting Entity," for determining the reporting entity includes oversight responsibility, fiscal dependency and whether the financial statements would be misleading if the component unit data were not included. Based on the above criteria, these financial statements present the Barry County Road Commission, a discretely presented component unit of Barry County.

The Road Commission Operating Fund is used to control the expenditures of Michigan Transportation Fund monies distributed to the County, which are earmarked by law for street and highway purposes. The Board of County Road Commissioners is responsible for the administration of the Road Commission Operating Fund.

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of the Barry County Road Commission conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Barry County Road Commission.

Effective January 1, 2003, the Road Commission implemented the provisions of GASB Statement No. 34 (GASB 34), *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*. Certain significant changes in the statements include the following:

- A Management Discussion and Analysis (MD&A) section providing an analysis of the Road Commission's overall financial position and results of operations has been included in the financial statements.
- Financial statements prepared using full accrual accounting for all of the Road Commission's activities, including infrastructure (roads, bridges, etc.)
- A change in the fund financial statements to focus on major funds.

These and other changes are reflected in the accompanying financial statements (including the notes to the financial statements).

**Government-Wide and Fund Financial Statements** - The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) report information on all the activities of the Barry County Road Commission. There is only one fund reported in the government-wide financial statements.

The Statement of Net Assets presents the Road Commission's assets and liabilities with the difference being reported as either invested in capital assets, net of related debt, or restricted net assets.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

**BARRY COUNTY ROAD COMMISSION  
NOTES TO FINANCIAL STATEMENTS  
For the Year Ended December 31, 2006**

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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Separate financial statements are provided for the Operating Fund (governmental fund) and Fiduciary Funds. The Operating Fund and Fiduciary Funds are independent fiscal and accounting entities with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. Major individual governmental funds are reported as separate columns in the fund financial statements.

**Measurement Focus, Basis of Accounting and Financial Statement Presentation** - The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Michigan transportation funds, grants, permits, township contributions and interest associated with the current fiscal period are considered to be susceptible to accrual and have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when the government receives cash.

**Encumbrance Accounting** - Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditures of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by Barry County Road Commission.

**Use of Estimates** - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

**Cash, Cash Equivalents and Investments** - Investments are recorded at cost except in the Deferred Compensation Agency Fund and Pension Trust Fund, which reports investments at fair market value as described in Note D. Demand deposits, certificates of deposits and short-term investments with a maturity date of three months or less when acquired are considered to be cash equivalents.

**Inventories** - Inventories are priced at cost determined on the average unit cost and specific identification methods. Inventory items are charged to road construction and maintenance, equipment repairs and operations as used.

**Capital Assets** - Capital assets, which include property, plant, equipment, infrastructure assets (e.g., roads, bridges and similar items), are reported in the operating fund in the government-wide financial statements. Barry County Road Commission defines capital assets on an individual basis. The dollar threshold depends on the category of the asset, but the asset must have an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost of purchase or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

GASB 34 requires major networks and major subsystems of infrastructure assets acquired, donated, constructed, or substantially rehabilitated since fiscal years ending after June 30, 1980 be inventoried and capitalized by the fourth anniversary of the mandated date of adoption of the other provisions of GASB 34. The Road Commission has capitalized the major infrastructure assets according to GASB 34. The Barry County Road Commission has capitalized the current year's infrastructure, as required by GASB 34, and has reported the infrastructure in the Statement of Net Assets.

**BARRY COUNTY ROAD COMMISSION  
NOTES TO FINANCIAL STATEMENTS  
For the Year Ended December 31, 2006**

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SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Depreciation - Depreciation is computed on the sum-of-the-years'-digits method for road equipment and the straight-line method for all other assets. The depreciation rates are designed to amortize the cost of the assets over their estimated useful lives as follows:

Buildings	30 to 50	years
Road Equipment	5 to 8	years
Shop Equipment	7 to 10	years
Engineering Equipment	4 to 10	years
Office Equipment	4 to 10	years
Infrastructure-Roads	8 to 30	years
Infrastructure-Bridges	12 to 50	years

Interest-Bearing Deposits - Interest-bearing deposits are recorded at cost. Interest earned is recorded as revenue when the investment matures, or when credited by the financial institutions to the interest-bearing account.

Long-Term Obligations - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the operating fund Statement of Net Assets.

Compensated Absences (Vacation and Sick Leave) - It is the Road Commission's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. All sick and vacation pay is accrued when incurred in the government-wide financial statements.

Advertising - Advertising costs are charged to expense as incurred, and amounted to \$947 for the year ended December 31, 2006.

Budgetary Procedures - Budgetary procedures are established pursuant to Act 621 PA 1978, as amended, (MCL 141.421) which requires the County Board of Road Commissioners to approve a budget for the County Road Fund. Pursuant to the Act, Barry County Road Commission prepares the current proposed budget in the fourth quarter of the previous year. A public hearing is held to receive public comments on the proposed budget. After the public hearing, the budget is adopted. This takes place prior to the beginning of the affected fiscal year. The budget is compared to actual results on a regular basis. Amendments are made to the budget as necessary. The final budget amendments were adopted on December 30, 2006. The budget is prepared on the modified accrual basis of accounting, which is the same basis as the financial statements.

BALANCE SHEET CASH AND INTEREST BEARING ACCOUNTS

Deposits are carried at cost. Deposits of the Road Commission are at various banks in the name of the Barry County Treasurer. Michigan Compiled Laws, Section 129.91, authorizes the Local Unit to deposit and invest in the accounts of Federally insured banks, credit unions, and savings and loan associations; bonds, securities, and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or Federal agency obligation repurchase agreements; bankers' acceptance of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The Road Commission's deposits are in accordance with statutory authority.

The risk disclosures categorizing the deposits between amounts insured or collateralized with securities held by the entity or by its agent in the entity's name and amounts uncollateralized or uninsured as required by the Governmental Accounting Standards Board (GASB) Statement No. 3, are not available. Various deposits are held in accounts in the name of the Barry County Treasurer.

**BARRY COUNTY ROAD COMMISSION  
NOTES TO FINANCIAL STATEMENTS  
For the Year Ended December 31, 2006**

BALANCE SHEET CASH AND INTEREST BEARING ACCOUNTS (Continued)

The Road Commission's insured deposits are insured by virtue of the Road Fund meeting certain specified criteria under FDIC regulations.

The balance sheet caption "Cash and Cash Equivalents" includes imprest cash of \$500.

Investments - Investments accumulated under an eligible deferred compensation plan may be placed at the authorization of a governing body, with a financial institution authorized to do business in this State, a State or Federally licensed investment company or insurance company authorized to do business in this State, or trust established by public employers for the investment of deferred compensation or retirement plans. Such funds shall be invested as directed by the governing body.

The Road Commission's investments for Deferred Compensation consist of assets held by John Hancock purchased through the Road Commission's agent, Governmental Benefits Group, Inc. The Road Commission's investments for the 401(K) Retirement Plan (Pension Trust Fund) are held by and purchased through Fidelity Investments at December 31, 2006. Michigan Compiled Laws, section 38.1121, authorizes the Road Commission to invest pension assets in a wide variety of investments including: stocks, bonds, certificates of deposit, real estate, annuity contracts, obligations of a specified nature, and real or personal property. Specific limitations apply to the various investment types. The Road Commission's deferred compensation and pension trust investments are in accordance with statutory authority. The nature of the investments (Common Stock Mutual Funds) does not allow for risk categorization, which is in accordance with GASB Statement No. 3.

	<u>Carrying Amount</u>	<u>Market Value</u>
<u>Deferred Compensation</u>		
Mutual Fund Accounts	\$ -	\$ -
Total Deferred Compensation	-	-
<u>Pension Trust</u>		
Mutual Funds Investments	5,135,953	5,135,953
Total Pension Trust	5,135,953	5,135,953
Total Investments	\$ 5,135,953	\$ 5,135,953

DEFERRED COMPENSATION PLAN

The Barry County Board of Road Commissioners offers all employees a deferred compensation plan created in accordance with the Internal Revenue Code, Section 457. The plan permits an employee to defer a portion of his or her current salary according to current provisions of the Internal Revenue Service, until the employee's termination, retirement, death or unforeseeable emergency.

All amounts of compensation deferred under the plan, all property rights purchased with such amounts, and all income attributable to such amounts, property or rights (until made available to the employee or other beneficiary) are solely the property and rights of the Barry County Road Commission (without being restricted to the provisions of benefits under the plan), subject only to the claims of the Road Commission's general creditors.

Employees' rights created under the plan are equivalent to those of general creditors of the Barry County Road Commission, and only in an amount equal to the fair market value of the deferred account maintained with respect to each participant.

**BARRY COUNTY ROAD COMMISSION  
NOTES TO FINANCIAL STATEMENTS  
For the Year Ended December 31, 2006**

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**DEFERRED COMPENSATION PLAN (Continued)**

In the past, the plan assets have been used for no purpose other than to pay benefits and administrative costs. The Road Commission has no liability for losses under the plan but does have the duty of due care that would be required of an ordinary prudent investor. In addition, the Barry County Road Commission believes it is unlikely it will use the assets to satisfy the claims of general creditors in the future.

The plan is administered by the Road Commission's agent, Governmental Benefits Group, Inc. and funded through John Hancock Investments.

The plan's assets are included in the Road Commission's Statement of Fiduciary Nets Assets in compliance with GASB Statement No. 32, "Financial Reporting of Deferred Compensation Plans Adopted Under the Provisions of the Internal Revenue Code Section List". A summary of the activity in the plan for the year ended December 31, 2006, is as follows:

Balance-January 1, 2006	\$ 23,010
Withdrawals	<u>(23,010)</u>
Balance-December 31, 2006	<u>\$ -</u>

**EMPLOYEES RETIREMENT SYSTEM**

The Road Commission has a 401-K, single employer defined contribution plan, available to all employees of the Road Commission. A defined contribution pension plan provides pension benefits in return for services rendered, provides an individual account for each participant, and specifies how contributions to the individual's account are to be determined instead of specifying the amount of benefits the individual is to receive.

Under a defined contribution pension plan, the benefits a participant will receive depend solely on the amount contributed to the participant's account, the returns earned on the investments of those contributions, and the forfeitures of other participant's account. All employees who are at least 21 years old and have completed six months of service are eligible to participate.

The plan allows each employee to determine his/her own contribution, up to 60% of his or her salary, according to current provisions of the Internal Revenue Code. The Road Commission contributes 10% of the employees' salary. These contributions are not dependent of the participation of the employees. The plan uses the accrual basis of accounting with investments stated at market.

Employees are allowed to borrow from their account and at December 31, 2006, the outstanding loan balances were \$83,407. Employee and employer contributions are paid to the plan on each payroll date (bi-weekly) and for the year ending December 31, 2006; the Road Commission's contribution to the plan was \$160,186. Employee contributions to the plan were \$164,016 for 2006. Total 2006 payroll of the Road Commission was \$1,912,918, and total covered payroll was \$1,817,107. The Road Commission's contributions represent 8.82% of covered payroll and the employees' contributions represents 9.03% of covered payroll.

**BARRY COUNTY ROAD COMMISSION  
NOTES TO FINANCIAL STATEMENTS  
For the Year Ended December 31, 2006**

**CAPITAL ASSETS**

Capital asset activity of the Barry County Road Commission for the current year was as follows:

	Account Balance 12/31/2005	Additions	Deletions	Account Balance 12/31/2006
Capital Assets Not Being Depreciated				
Land	\$ 85,433	\$ -	\$ -	\$ 85,433
Land Improvements	12,901,396	756,888	-	13,658,284
Right-of-Ways	65,204	-	-	65,204
Subtotal	13,052,033	756,888	-	13,808,921
Capital Assets Being Depreciated				
Land Improvements	214,808	-	-	214,808
Buildings	740,948	-	-	740,948
Road Equipment	6,776,099	232,378	-	7,008,477
Shop Equipment	117,825	-	-	117,825
Office Equipment	96,700	500	3,811	93,389
Engineering Equipment	96,421	31,490	-	127,911
Yard & Storage Equipment	103,147	-	-	103,147
Pit depletion	554,440	3,557	-	557,997
Infrastructure-Bridges	2,623,674	18,974	-	2,642,648
Infrastructure-Roads	12,580,775	947,115	826,518	12,701,372
Subtotal	23,904,837	1,234,014	830,329	24,308,522
Less Accumulated Depreciation				
Land Improvements	51,630	10,740	-	62,370
Buildings	488,290	13,849	-	502,139
Road Equipment	5,688,725	438,050	-	6,126,775
Shop Equipment	114,472	1,030	-	115,502
Office Equipment	74,504	8,012	3,662	78,854
Engineering Equipment	85,578	5,897	-	91,475
Yard & Storage Equipment	103,147	-	-	103,147
Pit depletion	139,646	526	-	140,172
Infrastructure-Bridges	783,562	61,898	-	845,460
Infrastructure-Roads	5,763,392	1,026,702	826,518	5,963,576
Subtotal	13,292,946	1,566,704	830,180	14,029,470
Net Capital Assets Being Depreciated	10,611,891	(332,690)	149	10,279,052
Total Net Capital Assets	\$ 23,663,924	\$ 424,198	\$ 149	\$ 24,087,973

**BARRY COUNTY ROAD COMMISSION  
NOTES TO FINANCIAL STATEMENTS  
For the Year Ended December 31, 2006**

CAPITAL ASSETS (Continued)

Depreciation expense was charged to programs of the Barry County Road Commission as follows:

Primary Road	\$ 253,230
Local Road	105,522
County	119,352
Infrastructure	<u>1,088,600</u>
 Total Depreciation Expense	 <u>\$ 1,566,704</u>

LONG-TERM DEBT

The following is a summary of the changes in the long-term debt:

	<u>Balance 12/31/05</u>	<u>Increase (Decrease)</u>	<u>Balance 12/31/06</u>
Lease Purchase Agreement			
D&D Contracting	\$ 78,000	\$ (39,000)	\$ 39,000
Michigan CAT	-	12,724	12,724
Accrued Vacation and Sick	<u>259,817</u>	<u>(448)</u>	<u>259,369</u>
	<u>\$ 337,817</u>	<u>\$ (26,724)</u>	<u>\$ 311,093</u>

Lease Purchase Agreement with D&D Contracting for a Roller, Chip Spreader and Distributor

Date of Lease Agreement: July 26, 2006  
Amount of Lease Agreement: \$39,000

<u>Year Ended</u>	<u>Interest</u>	<u>Principal</u>	<u>Total</u>
12/31/2007	\$ -	\$ 39,000	\$ 39,000
	<u>\$ -</u>	<u>\$ 39,000</u>	<u>\$ 39,000</u>

Lease Purchase Agreement with Michigan CAT for a Rebuilt Engine

Date of Lease Agreement: December 1, 2006  
Amount of Lease Agreement: \$14,315

<u>Year Ended</u>	<u>Interest</u>	<u>Principal</u>	<u>Total</u>
12/31/2007	\$ -	\$ 12,724	\$ 12,724
	<u>\$ -</u>	<u>\$ 12,724</u>	<u>\$ 12,724</u>

**BARRY COUNTY ROAD COMMISSION  
NOTES TO FINANCIAL STATEMENTS  
For the Year Ended December 31, 2006**

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**LONG-TERM DEBT** (Continued)

The annual principal and interest payments due on all outstanding debt until maturity are as follows:

1/1/07 - 12/31/07	\$ 51,724
1/1/08 - 12/31/08	-
1/1/09 - 12/31/09	-
1/1/10 - 12/31/10	-
1/1/11 - 12/31/11	-
After five years	-
	<hr/>
Total	\$ 51,724

**Vested Employee Benefits** -Vacation is earned in varying amounts depending on the number of years of service of an employee and is made available to the employee on his or her anniversary date.

Upon termination of employment, the employer will pay the amount of vacation leave earned at the time of termination up to a maximum of 68 days. Vacation hours may be accumulated by an employee up to 20 days. All vacation leave in excess of 20 days shall be forfeited. A retiring employee with 15 years of employment will be allowed to accumulate 68 days of vacation, twenty-four months prior to retirement. The liability recorded for vacation earned but not used as of December 31, 2006, totaled \$103,873.

Sick leave is accumulated at the rate of 8 hours per month. An employee shall be paid his or her accumulated sick leave at 100 percent for the first 140 days and 45 percent for the excess over 140 days when services are terminated as a result of retirement, total disability or death. The liability recorded for sick leave earned but not used as of December 31, 2006, totaled \$155,496.

**POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS**

As of January 1, 2003, Barry County Road Commission changed their policy for providing hospitalization medical coverage for their employees following retirement. Per the policy in place as of December 31, 2002, Barry County Road Commission provided hospitalization medical coverage and life insurance on a complimentary basis for any employee who retired at age 55 with at least eight years of service. Barry County Road Commission continues to provide life insurance using the same parameters. Four current employees and one who retired during the year ended December 31, 2003, were grand fathered in under the previous policy.

As of January 1, 2005, Barry County Road Commission added a policy for providing \$10 per month for every year of service for their association employees retiring from January 1, 2003 to November 1, 2006. These employees must be at least 55 years of age and have at least 20 years of service. This would become effective upon retirement or January 1, 2005, which ever comes latest. Amount shall be paid until the employee is deceased. If a slot is open for health insurance through the Road Commission and the retiree chooses to be carried through the Road Commission, the current Health Insurance Cancellation Policy will apply. This is contingent upon the Employee's Association acceptance. All other current employees receive no health benefits upon retirement.

Benefits are provided based on requirements of employee contracts and are financed on a pay-as-you-go basis. For the year ended December 31, 2006, Barry County Road Commission expended \$155,519 for 26 participants currently eligible to receive benefits.



**BARRY COUNTY ROAD COMMISSION  
NOTES TO FINANCIAL STATEMENTS  
For the Year Ended December 31, 2006**

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**RISK MANAGEMENT**

Barry County Road Commission is exposed to various risks of loss to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

Barry County Road Commission is a member of the Michigan County Road Commission Self-Insurance Pool established pursuant to the laws of the State of Michigan, which authorizes contracts between municipal corporations (inter-local agreements) to form group self-insurance pools, and to prescribe conditions to the performance of these contracts.

The Pool was established for the purpose of making a self-insurance pooling program available which includes, but is not limited to, general liability coverage, auto liability coverage, property insurance coverage, stop loss insurance protections, claims administration and risk management and loss control services pursuant to Michigan Public Act 138 of 1982.

Barry County Road Commission pays an annual premium to the Pool for property (buildings and contents) coverage, automobile and equipment liability, errors or omissions liability and bodily injury, property damage and personal injury liability. The agreement for the information of the Pool provides that the Pool will be self-sustaining through member premiums and will purchase both specific and aggregate stop-loss insurance to the limits determined necessary by the Pool Board.

The Road Commission also has self-insurance for worker's compensation as a member of the County Road Association Self-Insurance Fund. The Road Commission's employee medical benefits insurance is purchased through Blue Cross and Blue Shield.

At December 31, 2006, there were no claims, which exceeded insurance coverage. The Road Commission did not have any significant reduction in insurance coverage from previous years.

**CONTINGENT LIABILITIES**

Barry County Road Commission is the defendant in various legal actions involving personal injury or property damage that are normally associated with road commissions. These cases are turned over to the self-insurance pool. The aggregate effect of these actions, in management's and legal counsel's opinion, would not be material to the financial condition of Barry County Road Commission. Anticipated losses are not estimated to be in excess of insurance coverage. No provision for loss has been made in the financial statements.

**BARRY COUNTY ROAD COMMISSION  
REQUIRED SUPPLEMENTARY INFORMATION  
STATEMENT OF REVENUES AND OTHER FINANCING SOURCES -  
BUDGETARY COMPARISON SCHEDULE  
For the Year Ended December 31, 2006**

	<u>ORIGINAL BUDGET</u>	<u>FINAL AMENDED BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
Licenses and Permits				
Utility and Driveway Permits	\$ 28,000	\$ 28,000	\$ 21,330	\$ (6,670)
Federal Aid				
Surface Transportation Program			\$ 9,484	
D Funds			<u>6,125</u>	
	1,200,000	15,609	15,609	-
State Aid				
Michigan Transportation Fund				
Engineering			10,000	
Primary Road			2,887,833	
Primary Urban Road			61,975	
Local Road			1,712,189	
Local Urban Road			20,881	
Economic Development Fund				
D Funds			4,149	
TED Funds			<u>75,000</u>	
	4,868,200	4,800,000	4,772,027	(27,973)
Contributions From Local Units				
Townships			1,551,339	
Other Units of Government			<u>7,504</u>	
	1,511,000	1,558,843	1,558,843	-
Charges for Services				
Salvage Sales	3,000	4,822	4,842	20
Other	1,600	1,600	1,380	(220)
Other Revenue				
Loss on Equipment Disposals	-	-	(149)	(149)
Interest	24,000	70,977	80,218	9,241
Property Rentals	7,105	7,105	7,105	-
Lease Proceeds	-	14,315	14,315	-
Contributions	167,000	923,224	923,224	-
Other	<u>6,550</u>	<u>51,622</u>	<u>42,405</u>	<u>(9,217)</u>
Total Operating Revenue	<u>7,816,455</u>	<u>7,476,117</u>	<u>7,441,149</u>	<u>(34,968)</u>
Other Financing Sources				
Transfers-In				
Primary Government	<u>16,000</u>	<u>16,000</u>	<u>16,000</u>	<u>-</u>
Total Other Financing Sources	<u>16,000</u>	<u>16,000</u>	<u>16,000</u>	<u>-</u>
Total Revenue and Other Financing Sources	7,832,455	7,492,117	<u>\$7,457,149</u>	<u>\$ (34,968)</u>
Fund Balance-January 1, 2006	<u>2,984,295</u>	<u>2,984,295</u>		
Total Budget	<u>\$ 10,816,750</u>	<u>\$ 10,476,412</u>		

**BARRY COUNTY ROAD COMMISSION  
REQUIRED SUPPLEMENTARY INFORMATION  
STATEMENT OF EXPENDITURES -  
BUDGETARY COMPARISON SCHEDULE  
For the Year Ended December 31, 2006**

	<u>ORIGINAL BUDGET</u>	<u>FINAL AMENDED BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
Primary Road				
Construction/Capacity Improverr	\$ 636,000	\$ 44,211	\$ 26,742	\$ 17,469
Heavy Maintenance	1,953,000	442,411	351,291	91,120
Winter Maintenance	112,881	232,843	226,625	6,218
Maintenance	567,799	1,171,215	1,139,975	31,240
Traffic Control	27,320	56,353	54,848	1,505
Local Road				
Construction/Capacity Improverr	1,120,500	1,000,411	980,217	20,194
Heavy Maintenance	1,164,000	409,411	364,727	44,684
Winter Maintenance	120,563	266,484	264,729	1,755
Maintenance	1,279,880	2,828,964	2,810,333	18,631
Traffic Control	32,557	71,963	71,489	474
Distributive Expense	1,460,000	-	-	-
Equipment Expense-Net				
Direct	765,000	1,153,411	\$1,111,638	
Indirect	433,000	458,411	441,739	
Operating	250,000	380,000	355,244	
Less: Equipment Rentals	<u>(2,400,000)</u>	<u>(2,400,000)</u>	<u>(1,751,390)</u>	
	<u>(952,000)</u>	<u>(408,178)</u>	157,231	(565,409)
Administrative Expense-Net	430,000	490,000	467,705	22,295
Capital Outlay-Net				
Capital Outlay	700,000	304,912	267,925	
Less: Equipment Retirements	-	-	(149)	
Less: Depreciation	<u>(390,000)</u>	<u>(476,930)</u>	<u>(478,104)</u>	
Less: Trade-In Allowance	<u>(30,000)</u>	<u>-</u>	<u>-</u>	
	<u>280,000</u>	<u>(172,018)</u>	(210,328)	38,310
Debt Service				
Debt Principal Payments	-	40,591	40,591	-
Interest Expense	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures	8,232,500	6,474,661	<u>\$6,746,175</u>	<u>\$ (271,514)</u>
Fund Balance-December 31, 2005	<u>2,984,295</u>	<u>2,984,295</u>		
Total Budget	<u>\$11,216,795</u>	<u>\$ 9,458,956</u>		

**BARRY COUNTY ROAD COMMISSION  
ANALYSIS OF CHANGES IN FUND BALANCE  
For the Year Ended December 31, 2006**

	<u>PRIMARY ROAD FUND</u>	<u>LOCAL ROAD FUND</u>	<u>COUNTY ROAD COMMISSION</u>	<u>TOTAL</u>
Total Revenues	\$ 3,725,420	\$ 3,592,696	\$ 123,033	\$ 7,441,149
Total Expenditures	<u>2,004,134</u>	<u>4,857,453</u>	<u>(115,412)</u>	<u>6,746,175</u>
Excess of Revenues Over (Under) Expenditures	<u>1,721,286</u>	<u>(1,264,757)</u>	<u>238,445</u>	<u>694,974</u>
Other Financing Sources (Uses)				
Transfers-In Primary Government	-	-	16,000	16,000
Optional Transfers-In (Out)	<u>(886,833)</u>	<u>995,365</u>	<u>(108,532)</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>(886,833)</u>	<u>995,365</u>	<u>(92,532)</u>	<u>16,000</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	834,453	(269,392)	145,913	710,974
Fund Balance-January 1, 2006	<u>1,286,681</u>	<u>269,392</u>	<u>1,428,222</u>	<u>2,984,295</u>
Fund Balance-December 31, 2006	<u>\$ 2,121,134</u>	<u>\$ -</u>	<u>\$ 1,574,135</u>	<u>\$ 3,695,269</u>

**BARRY COUNTY ROAD COMMISSION**  
**ANALYSIS OF REVENUES AND OTHER FINANCING SOURCES**  
For the Year Ended December 31, 2006

	<u>PRIMARY ROAD FUND</u>	<u>LOCAL ROAD FUND</u>	<u>COUNTY ROAD COMMISSION</u>	<u>TOTAL</u>
Licenses and Permits				
Utility and Driveway Permits	\$ -	\$ -	\$ 21,330	\$ 21,330
Federal Aid				
Surface Transportation Program	9,484	-	-	9,484
D Funds	6,125	-	-	6,125
State Aid				
Michigan Transportation Fund				
Engineering	6,300	3,700	-	10,000
Primary Road	2,887,833	-	-	2,887,833
Primary Urban Road	61,975	-	-	61,975
Local Road	-	1,712,189	-	1,712,189
Local Urban Road	-	20,881	-	20,881
Economic Development Fund				
D Funds	4,149	-	-	4,149
TED Funds	47,250	27,750	-	75,000
Contributions From Local Units				
Townships	660,732	890,607	-	1,551,339
Other Units of Government	-	-	7,504	7,504
Charges for Services				
Salvage Sales	-	-	4,842	4,842
Other	-	-	1,380	1,380
Other Revenue				
Loss on Equipment Disposals	(79)	(33)	(37)	(149)
Interest	34,494	7,220	38,504	80,218
Property Rentals	-	-	7,105	7,105
Lease Proceeds	7,157	7,158	-	14,315
Contributions	-	923,224	-	923,224
Other	-	-	42,405	42,405
Total Operating Revenue	<u>3,725,420</u>	<u>3,592,696</u>	<u>123,033</u>	<u>7,441,149</u>
Other Financing Sources				
Transfers-In				
Primary Government	<u>-</u>	<u>-</u>	<u>16,000</u>	<u>16,000</u>
Total Other Financing Sources	<u>-</u>	<u>-</u>	<u>16,000</u>	<u>16,000</u>
Total Revenue and Other Financing Sources	<u>\$ 3,725,420</u>	<u>\$ 3,592,696</u>	<u>\$ 139,033</u>	<u>\$ 7,457,149</u>

**BARRY COUNTY ROAD COMMISSION**  
**ANALYSIS OF EXPENDITURES**  
**For the Year Ended December 31, 2006**

	<u>PRIMARY ROAD FUND</u>	<u>LOCAL ROAD FUND</u>	<u>COUNTY ROAD COMMISSION</u>	<u>TOTAL</u>
Primary Road				
Construction/Capacity Improvement	\$ 26,742	\$ -	\$ -	\$ 26,742
Heavy Maintenance	351,291	-	-	351,291
Winter Maintenance	226,625	-	-	226,625
Maintenance	1,139,975	-	-	1,139,975
Traffic Control	54,848	-	-	54,848
Local Road				
Construction/Capacity Improvement	-	980,217	-	980,217
Heavy Maintenance	-	364,727	-	364,727
Winter Maintenance	-	264,729	-	264,729
Maintenance	-	2,810,333	-	2,810,333
Traffic Control	-	71,489	-	71,489
Equipment Expense-Net	35,959	117,294	3,978	157,231
Administrative Expense-Net	133,783	333,922	-	467,705
Capital Outlay-Net	14,616	(105,554)	(119,390)	(210,328)
Debt Service				
Debt Principal Payments	20,295	20,296	-	40,591
Interest Expense	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures	<u>\$ 2,004,134</u>	<u>\$ 4,857,453</u>	<u>\$ (115,412)</u>	<u>\$ 6,746,175</u>



**WALKER, FLUKE & SHELDON, PLC**  
**CERTIFIED PUBLIC ACCOUNTANTS**

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of County Road Commissioners  
Barry County Road Commission  
Hastings, Michigan

We have audited the financial statements of Barry County Road Commission, a component unit of Barry County, as of and for the year ended December 31, 2006, and have issued our report thereon dated February 16, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Barry County Road Commission's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Barry County Road Commission's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the County Road Commissioners and management, the pass-through grantors, and the Federal awarding agencies and is not intended to be used by anyone other than these specified parties.

*Walker, Fluke & Sheldon, P.C.*

Hastings, MI  
February 16, 2007